

59th MEETING OF THE EURIBOR-EONIA STEERING COMMITTEE
– Ad Hoc call, 5 May 2017, 10:00 – 11:00 CET –

Revised Minutes

Mr. P. MERCIER thanked all participants for attending this meeting.

A list of participants is hereby attached.

1. CONFLICTS OF INTEREST

No conflicts of Interest were raised at the consideration of the item set at the agenda of this Steering Committee meeting.

2. EURIBOR PROJECT

Ms P. DE DEYNE informed the Steering Committee Members about the decision made by the General Assembly on 4 May as to not to proceed with a fully transaction-based Euribor via a seamless transition. She gave a short overview of the results of the Data Analysis Exercise and explained why the transition is not feasible: (i) spread and volatility levels are too divergent from current Euribor levels to consider a seamless transition and (ii) the number of transacting participants on a daily basis is too low to consider a fully transaction-based benchmark.

She also mentioned that the Belgian FSMA had conducted its own analyses, based on a broader dataset, with results that corroborate EMMI's findings on the basis of the PLV Program data. Also, the FSMA had found that the sample of 31 banks participating in the PLV Program faithfully portrays the reality of the market underpinning Euribor and that the same goes for the current Euribor panel.

She then elaborated on the way forward. In the conference call meeting held by 28 March, EMMI had presented the possible outcome scenarios of the Pre-Live Verification Program, as well as the next steps that EMMI would pursue under each of these scenarios. The Steering Committee had approved these. Given the scenario that has crystalized now (i.e. the current market activity is not robust enough for a fully transaction-based benchmark, hence EMMI develops a hybrid methodology), Ms P. DE DEYNE confirmed that EMMI will continue with the current quote-based Euribor methodology while developing a hybrid methodology supported by transactions whenever available, and relying on other prices when necessary.

She explained that a hybrid methodology caters for different levels of market activity: it can be applied in periods with buoyant market activity, as well as in where activity is low. Hence, this model will provide for sufficient flexibility to enable the Euribor benchmark methodology to fully adapt to the prevailing market conditions, being therefore fit-for-purpose.

Mr A. BIEWALD recommended that EMMI should try and leverage as much as possible on developments that have already been made by certain banks regarding benchmark submission and that a simple, single solution should be offered to smaller banks.

Ms P. DE DEYNE then set out the immediate next steps that EMMI was going to undertake:

1) upon approval of the revision of the Terms of Reference for the Task Force, a new call for nominations to the Euribor Task Force is to be sent to the PLVP banks immediately;

- 2) On 8 May EMMI will present the findings of the Data Analysis Exercise of the Pre-Live Verification Program as well as the plan to proceed with the development of a new hybrid methodology in a meeting of the College of Supervisors. EMMI has been invited by FSMA to do so;
- 3) On 9 May EMMI is holding a Euribor Workshop for the Panel Banks and the banks that have participated in the PLVP. Members of the Steering Committee, the FSMA, ECB and ESMA have also confirmed to attend. The purpose of this workshop is (i) to present the outcome of the data analysis in detail to these banks as this is important for their understanding as to why EMMI has not proceeded with the foreseen transition (ii) clarify a number of regulatory issues and (iii) have the buy-in of the banks regarding the development of the hybrid methodology;
- 4) By the end of May EMMI will start to work on the methodology together with the Task Force.

Steering Committee Members discussed comments made in the press on 4 May by an ECB spokesman on the possibility of investigating an unsecured benchmark based on MMSR data.

Mr K. LANNOO urged the Secretariat to investigate further in this matter, and assess what the impact would be for Eonia. In this respect, Mr G. RAVOET confirmed that a call had been set up already with the ECB later on the day, in order to gain more insight from ECB.

3. REVISED TERM OF REFERENCE FOR THE EURIBOR TASK FORCE

Ms P. DE DEYNE explained that the Terms of Reference for the Euribor+ Task Force which had been approved by the Steering Committee on 24 January, need to be revised to reflect the current needs and its application: as EMMI will now start to work on a new methodology, all references to “Euribor+” and “transaction-based methodology” have been removed.

The Steering Committee Members unanimously approved the proposed changes in the wording.

4. CHANGES IN THE COMPOSITION OF THE STEERING COMMITTEE

Ms P. DE DEYNE was glad to announce that the General Assembly had approved the nomination of Ms D. LE MASSON as a Steering Committee Member.

Mr G. RAVOET announced that Mr O. BRISSAUD will step down as a member of the Steering Committee and take up a position on the EMMI Board of Directors.

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LIST OF PARTICIPANTS

Chairman

Mr Paul MERCIER

Members

Mr Andreas BIEWALD

Mr Jac BESUIJEN

Mr Olivier BRISSAUD

Mr Alberto COVIN

Ms Catherine FARRER (observer)

Mr Franck HEBEISEN

Mr Karel LANNOO

Mr Tomasz MIRONCZUK

Ms Agathi PAFILI

Mr Vincent VAN DESSEL

Mr José María VERDUGO

EMMI

Mr Guido RAVOET

Ms Petra DE DEYNE

Ms Andrea FERNANDEZ CARNICERO



Ms Gaelle MARQUES DOS SANTOS

Mr Alberto LOPEZ MARTIN

Mr Corentin CUSTINNE

Mr David COWEN

Excused

Mr Cyril MERKEL